

## Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 EB-11 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

USIA-15 NEA-10 OPIC-12 XMB-07 DRC-01 /217 W

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R 050940Z MAR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 379

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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E.O. 11652: NA

TAGS: ENRG, JA

SUBJ: PETROLEUM PRICE FREEZE AND ACCUSATIONS AGAINST MAJORS

REF: TOKYO 2689

SUMMARY: JAPANESE PRESS REPORTS SOURCED TO MITI ASSERT THAT MAJOR OIL COMPANIES, INCLUDING EXXON AND SHELL, PLAN TO CUT SUPPLIES TO JAPAN BECAUSE OF CURRENT PRICE FREEZE ON PETROLEUM PRODUCTS. BOTH EXXON AND MITI DENY AWARENESS OF ANY CUTBACK PLANS. HOWEVER, MAJORS HAVE CAUTIONED GOJ THAT PRICE FREEZE CANNOT CONTINUE FOR PRO- LONGER PERIOD WITHOUT ADVERSE EFFECTS ON JAPAN. END SUMMARY.

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1. TWO JAPANESE NEWSPAPERS MARCH 5 HEADLINE REPORTS

SOURCED TO MITI OFFICIALS THAT EXXON, SHELL AND OTHER MAJORS HAVE NOTIFIED JAPANESE REFINERS THAT THEY PLAN TO REDUCE SUPPLY OF OIL INTO JAPAN TO LEVEL 25 PERCENT BELOW FEBRUARY IMPORTS. MAJORS' DECISION REPORTEDLY DUE TO DISSATISFACTION WITH CONTINUING PRICE FREEZE ON PETROLEUM PRODUCTS. ARTICLES SPECULATE THAT GOVT WILL SOON BE FORCED TO CHOOSE BETWEEN DESIRE TO POSTPONE OIL PRICE RISES, AS SOUGHT BY PRIME MINISTER, AND STABLE SUPPLY OF OIL.

2. ACCORDING EXXON SOURCES IN JAPAN, HOWEVER, REPORTS THAT COMPANY PLANS SUCH CUTBACKS IN MARCH ARE COMPLETELY WITHOUT FOUNDATION. EXXON V.P. SAID PRESS REPORTS WERE QTE PLANT UNQTE DESIGNED TO PUT ONUS OF PRESSURE FOR PRICE RISE ON INTERNATIONAL MAJORS. ANOTHER EXXON OFFICIAL ATTRIBUTED STORIES TO MISUNDERSTANDING OF EXXON POSITION AS EXPRESSED TO MITI ABOUT TWO WEEKS AGO, I.E., JAPAN CANNOT BE ONLY MAJOR COUNTRY WHICH REFUSES TO ALLOW PRICE RELIEF AND THAT IF SITUATION CONTINUES FOR PROLONGED PERIOD (PRESUMABLY SOME MONTHS), CRUDE OIL WILL GO TO EUROPE INSTEAD.

3. DURING CALL ON CHARGE MARCH 4, PRESIDENT OF MOBIL'S SUBSIDIARY IN JAPAN TOOK SIMILAR LINE THAT PRICE FREEZE SITUATION WAS CAUSING SUBSTANTIAL LOSSES TO COMPANY AND THAT SITUATION COULD NOT CONTINUE. IF PATTERN REMAINED SAME OVER LONG PERIOD, HE SAID, MOBIL HEADQUARTERS WOULD CERTAINLY ORDER EITHER SHIFT IN OIL DELIVERIES TO MORE PROFITABLE MARKETS OR AT LEAST SUSPEND NEW INVESTMENT IN JAPAN. HE MAINTAINED HOWEVER THAT THIS POINT HAD NOT YET BEEN REACHED.

4. DEPUTY DIRECTOR OF INTERNATIONAL AFFAIRS DIV. OF MITI'S RESOURCES AND ENERGY AGENCY (HAYASHI) SAID HE VERY ANNOYED AT PRESS STORIES. MITI, HE SAID, HAD RECEIVED NO NOTIFICATION FROM MAJORS OF ANY SUPPLY REDUCTIONS AND DID NOT MAKE ANY ANNOUNCEMENT TO PRESS TO THIS EFFECT. HE NOTED THAT MITI RECOGNIZED THAT CONTINUATION OF QTE IRRATIONAL UNQTE PRICE FREEZE POLICY COULD WELL CAUSE MAJORS TO REDUCE SUPPLIES IN FUTURE. LIMITED OFFICIAL USE

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HAYASHI ADDED THAT SOME JAPANESE INDEPENDENT OIL COMPANIES MAY HAVE DEFERRED OIL IMPORTS IN FEBRUARY BECAUSE OF PRICE FREEZE, AND FOR THIS REASON FEBRUARY OIL IMPORTS WILL PROBABLY BE PROVE TO BE LESS THAN MITI TARGET OF 22.7 MILLION KILOLITERS.

5. COMMENT: PRESS NOW REPORTING THAT PM TANAKA BELIEVES PETROLEUM PRICE HIKES SHOULD BE POSTPONED UNTIL APRIL

OR IF POSSIBLE UNTIL JULY (AFTER UPPER HOUSE ELECTIONS)  
TO DELAY ADVERSE EFFECTS DOMESTIC OIL PRICE RISE WOULD HAVE ON  
ALREADY SERIOUS INFLATION PROBLEM. TANAKA EVEN SAID TO  
BE CONSIDERING COVERING LOSSES OF JAPANESE OIL COMPANIES  
WITH SPECIAL FINANCING AND TAXATION PRIVILEGES IN INTERIM.  
HOWEVER, PRESSURE FROM JAPANESE OIL COMPANIES, FROM  
MAJORS, AND FROM MITI ITSELF WILL CONTINUE TO MOUNT THE  
LONGER PRICE FREEZE IS IN EFFECT, AND IT IS OPEN TO  
QUESTION WHETHER GOJ WILL BE ABLE TO MAINTAIN PRICE FREEZE  
INTO APRIL. SHOESMITH

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, PETROLEUM PRODUCTS, SUPPLIES, POLICIES, PRICES, CENTRAL GOVERNMENT  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EA  
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**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
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**Review Content Flags:**  
**Review Date:** 27 MAR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <27 MAR 2002 by collinp0>; APPROVED <04 JUN 2002 by golinofr>  
**Review Markings:**

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30 JUN 2005

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**Subject:** PETROLEUM PRICE FREEZE AND ACCUSATIONS AGAINST MAJORS  
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